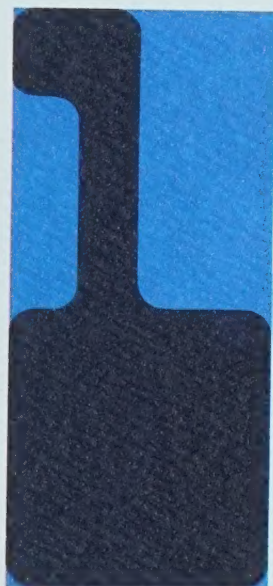


AR36

Pullman Incorporated
"Portrait at 100"



When a company attains a background of 100 years of experience, what is the real significance of such a milestone—to its people, its stockholders, its customers, the communities in which it operates?

How does a century of business life equip a company's organization to meet the challenges and grasp the opportunities of the future?

February 22, 1967, marked the 100th anniversary of the founding of Pullman Incorporated's original predecessor company, Pullman's Palace Car Company.

As we observe this occasion it is with recognition that longevity itself is not the end goal of corporate endeavor. Nor is historic background significant except as it has shaped the present and, more important, will illuminate the future.

The following pages deal briefly with the chronology of events that led to the development of Pullman Incorporated as it is today; a genealogy, so to speak.

They recount events that demonstrate clearly the ability of the Corporation's Divisions and Subsidiaries—and their predecessors—to move from the outmoded products of one generation to meet the requirements of the next; the ability constantly to move with, and capitalize on, the ever-blowing winds of change.

But more important, these pages paint a portrait of our Corporation as it is today—the services it performs, the special skills that have been developed from many sources over the years, the capabilities that are bench marks of our various Divisions and Subsidiaries. They depict a Corporation with some 20,000 employees, more than 34,000 stockholders and, starting with the old Pullman's Palace Car Company, a record of continuous quarterly cash dividends for 100 consecutive years.

Finally, in painting this "Portrait at 100" we look ahead to known problems that must be mastered by the United States and by the world. And we look to the role that Divisions and Subsidiaries of Pullman Incorporated have qualified themselves to play in meeting some of the great and stimulating challenges of our times.

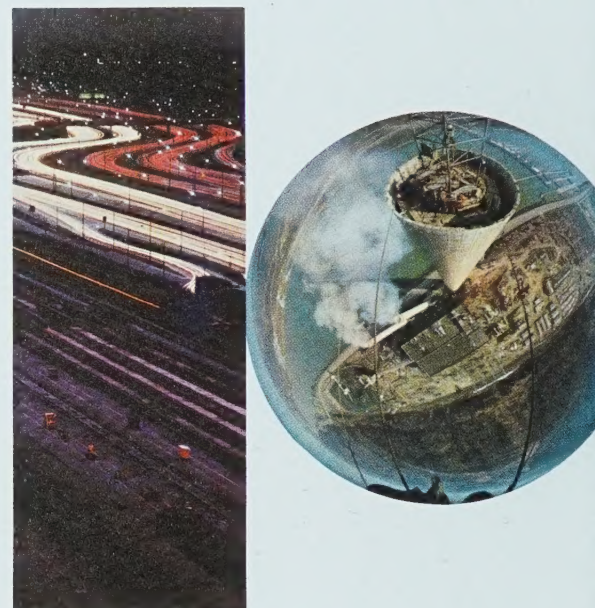
With one hundred years of history behind Pullman Incorporated and its predecessor companies, what will that future hold?

Statistical estimates, using the latest figures available as the base, present a background against which the answer will be written:

The population of the United States, now around the 200,000,000 mark, is expected to soar to 230,000,000 by 1980.

Gross national product is expected to rise from \$740 billion to about \$1.8 trillion by 1980.

Within this growth in GNP are estimates of percentage increases in some of the industries served by Pullman Incorporated's Divisions or Subsidiaries:



OCT 29 1967

Iron and steel	50%
Railway equipment	90%
Highway transportation equipment	50%
Ceramics	176%
Chemical	225%
Petroleum	80%
Electric power generating	175%

These figures are for the United States only. The markets of Pullman Incorporated are global:

Estimates are that world population will approximate 4,300,000,000 by 1980, an increase of about 24%, with commensurate demands for food and the basic necessities of life.

Problems arising from the demand for more of everything to serve an exploding population and to meet the worldwide need for higher living standards press for solutions:

How to increase the productivity of farm and factory? How to transport goods and people? How to feed the world? How to control air pollution? How to clean up water pollution? These just hint at the multitude of problems that need to be solved.

The experience, skills, technology and talents that have been assembled within the Pullman Incorporated organization are peculiarly fitted to help meet these and other needs of the times...needs which inevitably must be met.

The task will be large. Equally as certain, the opportunities and challenges will be unequalled.



From GEORGE A. TEDESCO

Dear Mr. Robertson:

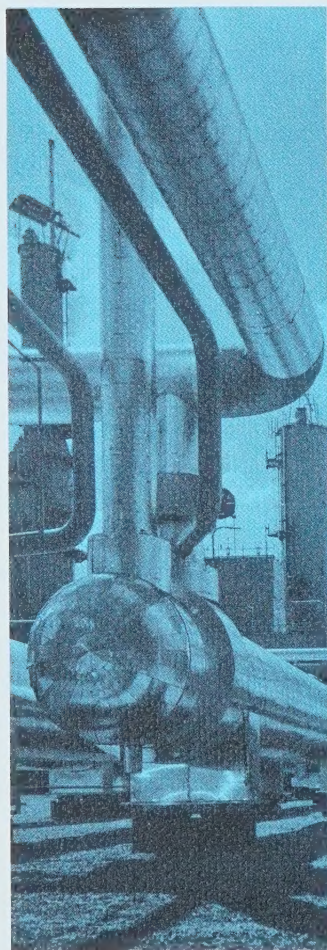
The attached is being sent you at the request of John Grimshaw.

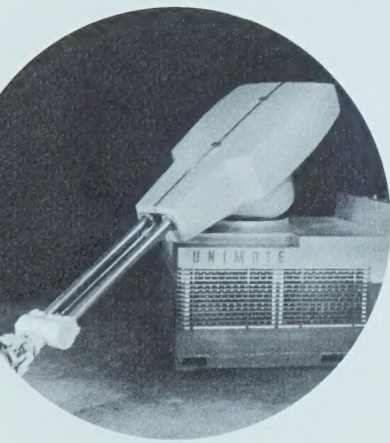
Looking forward to meeting you personally on Thursday.

Chairman and President

OCT 29 1967

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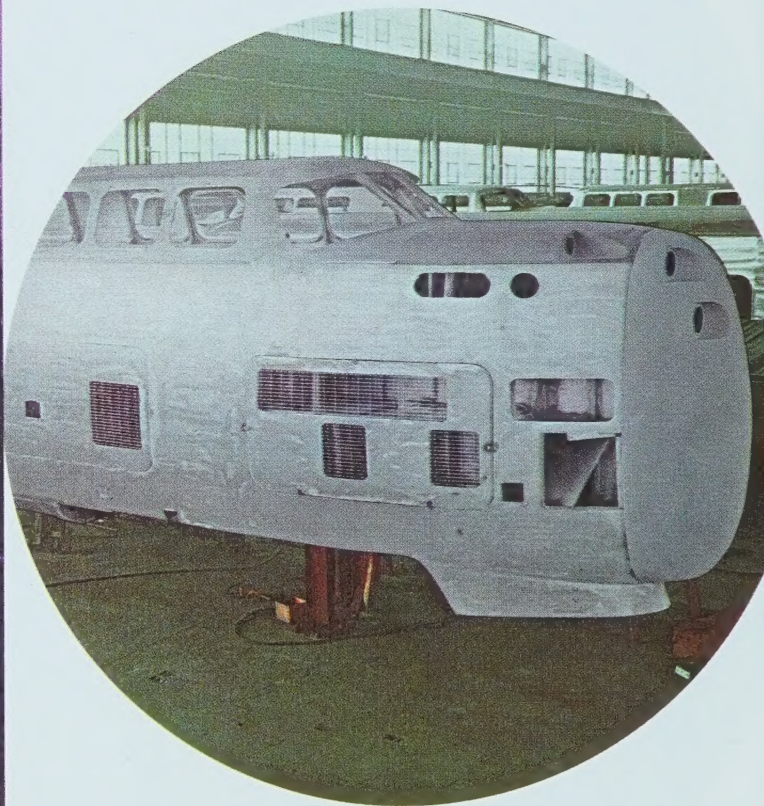
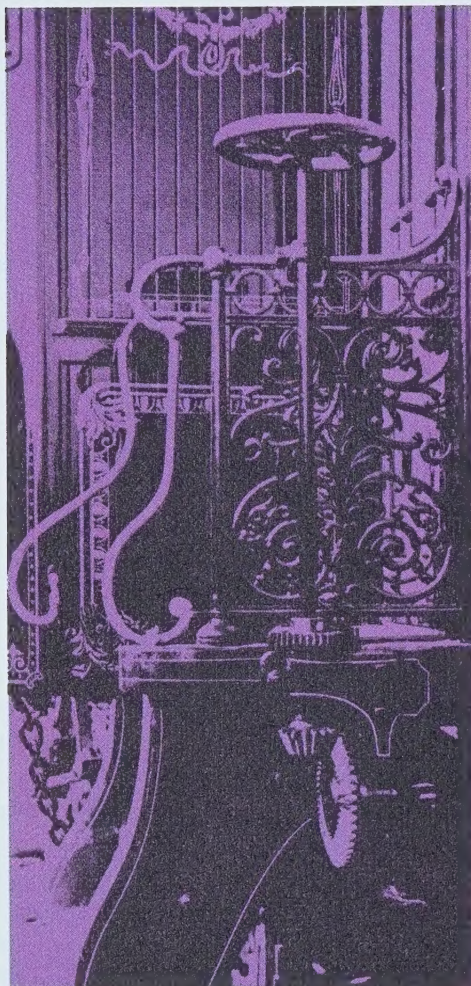




HISTORICAL Through its various Divisions and Subsidiaries, Pullman Incorporated today occupies a place of preeminence in the fields of transportation equipment and engineering and construction.

How the company grew to what it now is, the evolutionary steps and when they occurred, may be seen in the following chronology:

- 1867 Pullman's Palace Car Company organized to build and operate railroad sleeping cars and other types of passenger carrying equipment.
- 1899 Name changed to The Pullman Company.
- 1922 Haskell & Barker Car Company, Inc. acquired, extending The Pullman Company's interest into the railway freight carbuilding field.
- 1924 Pullman Car & Manufacturing Corporation formed to consolidate the freight and passenger carbuilding activities of The Pullman Company.
- 1927 Pullman Incorporated formed, with The Pullman Company and Pullman Car & Manufacturing Corporation as its principal subsidiaries.
- 1930 Pullman Incorporated acquired Standard Steel Car Company and Osgood-Bradley Car Company.
- 1934 Pullman-Standard Car Manufacturing Company formed to consolidate the railroad carbuilding interests of Pullman Incorporated.
- 1944 The M. W. Kellogg Company, a leading engineering and construction firm specializing in oil refining and chemical processing, acquired as a wholly-owned subsidiary of Pullman Incorporated.
- 1947 The Pullman Company, operator of sleeping cars and other passenger carrying equipment, sold to a group of railroads, pursuant to a federal court order requiring separation of sleeping car, diner and lounge car operations, from the manufacture of railroad passenger cars.
- 1951 Pullman Incorporated formed Trailmobile Inc., a wholly-owned subsidiary, which acquired substantially all of the assets of The Trailmobile Company, a leading manufacturer of over-the-road truck trailers.
- 1955 Trailmobile Finance Company, a wholly-owned subsidiary, formed for the purpose of handling the financing of customer paper of Pullman Incorporated subsidiaries, principally the installment contracts of Trailmobile Inc. customers.
- 1959 Swindell-Dressler Corporation, a major designer of plants, and builder of furnaces and kilns for the metallurgical and ceramic industries, acquired as a wholly-owned subsidiary of Pullman Incorporated.
- 1959 Transport Leasing Company organized as a Pullman Incorporated subsidiary to engage in railroad equipment leasing.
- 1962 Unimation, Inc. organized as a Pullman Incorporated subsidiary to develop, manufacture and market an industrial robot.
- 1965 Standard Steel Works, Inc., a manufacturer of tank trailers, acquired as a Pullman Incorporated subsidiary.
- 1966 Full ownership acquired of Canadian Trailmobile Limited and Trailmobile de Mexico, S.A.



PULLMAN INCORPORATED TODAY Pullman Incorporated today comprises five Divisions and seven principal Subsidiaries:

Divisions:

Pullman-Standard
Trailmobile
Transport Leasing
The M. W. Kellogg Company
Swindell-Dressler Company

Subsidiaries:

The Canadian Kellogg Company, Limited
Kellogg International Corporation
Trailmobile Finance Company
Canadian Trailmobile Limited
Trailmobile de Mexico, S.A.
Standard Steel Works, Inc.
Unimation, Inc.

Generally speaking, these Divisions and Subsidiaries serve two broad areas of industry—transportation equipment, and engineering and construction. In each of these fields Pullman Incorporated units stand out as leaders.

Such leadership is based on technical skills and emphasis on research and innovation which are common denominators in the Pullman Incorporated group of companies.

TRANSPORTATION EQUIPMENT OPERATIONS The transportation needs of a steadily growing national economy call for long-range planning, imaginative research, product innovation and sound engineering. They call for new and better concepts in moving the products of agriculture and industry and in transporting people; for equipment that will serve these purposes better and more economically.

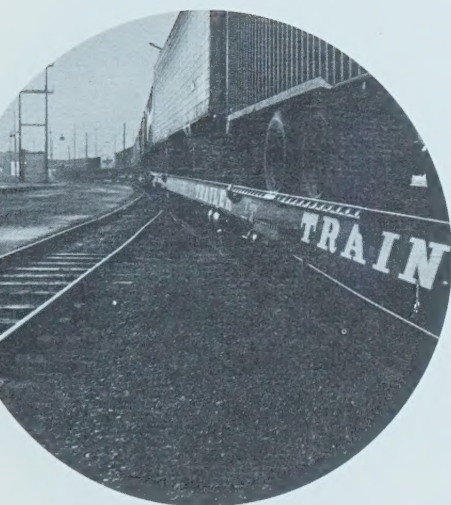
Meeting these needs is the objective of Pullman Incorporated's transportation equipment Divisions.

Pullman-Standard Division A direct descendant of the company founded by George M. Pullman in 1867, Pullman-Standard for many years has been the world's leading builder of railroad rolling stock. With its predecessor companies it has to its credit a long list of pioneering achievements in both the railroad freight car and passenger car fields.

Pullman-Standard design contributions to the manufacture of freight cars have been many. In the early 1930's, for example, design concepts by company engineers led to the first use of lightweight steel in the construction of hopper cars, box cars and steel-sheathed refrigerator cars, and to the first use of high-tensile, low-alloy steel in box cars.

While these innovations were important, they have been overshadowed by changes in freight carbuilding over the past 20 years.

In 1946, Pullman-Standard established a research and development program, the first in the carbuilding industry to apply scientific studies and technological advances to freight car design and construction.







This program resulted in a line of standardized freight cars—box cars, covered hopper cars, flat cars, and gondola cars—which could be mass-produced, at low cost, in company plants. These mass-produced freight cars helped significantly in the replacement of the nation's fleet of war-worn freight car equipment with modern rolling stock.

A decade later, in the mid-1950's, the requirements of the railroads moved in the direction of larger and more specialized materials-handling equipment to supplement standardized freight cars.

Pullman-Standard's engineers were quick to recognize and meet this need. The application of new technological skills and new methods created modern, sophisticated rail transportation equipment such as piggyback flat cars, autorack flat cars, giant covered hopper cars for dry bulk commodities, box cars 60- and 86-feet long with built-in refinements. At the same time, concepts were developed for new cars designed specifically to help solve the total distribution and materials-handling problems of shippers. To assure safer handling of lading by the railroads, Pullman-Standard developed the Hydroframe® cushioning unit to protect goods from damage caused by car impact. This device has successfully reduced damage to lading in transit wherever it has been installed, with consequent savings to shipper and railroad alike.

The increasing use of modern freight cars by forward-looking carriers has demonstrated that cost-cutting services are a certain path of growth for both Pullman-Standard and the nation's railroads.

A leader in the field of public transportation since its inception, Pullman-Standard or its predecessor companies have to their credit an impressive list of accomplishments in the passenger car field. The Company developed the first all-steel sleeping car, vestibule passenger car, all-bedrooms sleeping car, successfully-operated air conditioned passenger car, lightweight streamlined train, and roomette sleeping car.

For mass transit, Pullman-Standard developed and built the first lightweight commuter car, the first double-deck push-pull operated commuter cars and the first air conditioned rapid transit cars.

Today the Company continues to innovate the design, engineering and building of modern commuter and rapid-transit cars to serve the immense traffic requirements of our great metropolitan areas.

Pullman-Standard manufactures freight cars at Michigan City, Indiana, at Hammond, Indiana, at Butler, Pennsylvania, and at Bessemer, Alabama. Passenger cars are produced on the Chicago site where George M. Pullman developed his enterprise.

Pullman-Standard is providing product manufacturing and technical know-how under license agreements with rail carbuilding manufacturing companies in West Germany, France, the Union of South Africa, and Canada.

Trailmobile Division When its assets were acquired by Pullman Incorporated in 1951, Trailmobile was already a well-established company. What is today one of the nation's largest producers of truck trailers and containers began as Sechler & Company, a carriage maker founded in Cincinnati, Ohio, in 1877.





As early as 1910, however, the Company saw there was little future in horse-drawn vehicles and shifted its interest to automotive-hauled trailers. Four years later the company was renamed Trailmobile.

The Trailmobile Division is one of two organizations that manufactures a broad line of truck trailers and markets them internationally. It has 40 factory branches in major cities throughout the country supplemented by some 62 franchised dealers. The Division has five manufacturing plants strategically located throughout the United States. Together with plants in Canada and Mexico, these provide manufacturing facilities covering the entire North American continent.

Like railway freight cars, the truck trailer—whether dry freight or insulated van, flat-bed or tank trailer—has changed substantially in recent years. Increased length and the need to hold down overall weight have brought greater complexity to design with the result that the Trailmobile truck trailer of today is a highly engineered product.

A most important development affecting Trailmobile is the trend toward containerization. Only a few years ago containers were thought of primarily for over-the-road transportation. Now they are being built for railroad and maritime operations and are presently being developed for air transportation. As a result, Trailmobile has become a major source of specially designed and engineered containers adaptable for interchange between various modes of transportation.

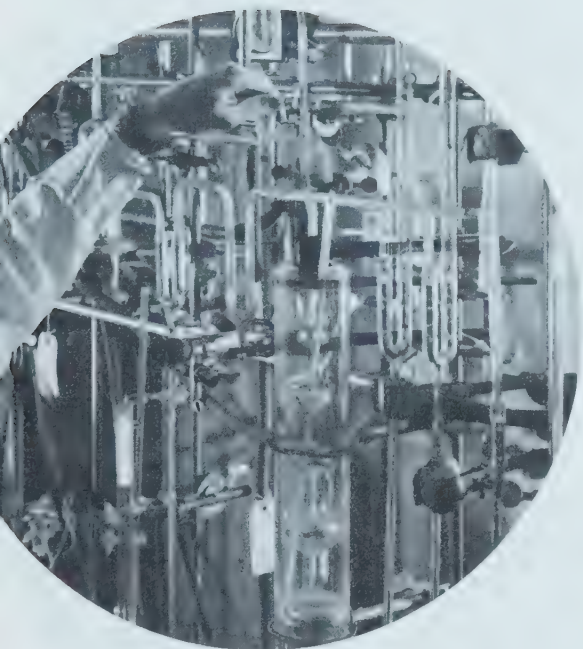
In 1966, Trailmobile with one of the nation's leading aircraft manufacturers demonstrated the first movement of a container involving truck, rail, and air transportation. This intermodal concept of distribution allows freight to be carried from origin to destination by such diverse forms of transportation with minimum handling and minimum cargo damage. Chief customers for Trailmobile products are the common carrier truck lines, railroads, ship lines and industrial and commercial concerns.

Transport Leasing Division Organized in 1959, this Division of Pullman Incorporated was formed to provide railroad equipment to shippers under long-term leases. It arranges the financing, maintenance and other phases of car ownership involved in full-service leasing of box cars, piggyback cars, covered hopper cars, and other types of rolling stock used for the movement of freight.

With long-term leasing of railway equipment a growing trend, this Division has approximately 3,600 cars in service. The greatest number involves covered hoppers of latest design under lease to shippers of grain, chemical products, and other dry bulk commodities.

Through leasing, the Division is bringing the advantages of new, special purpose transportation equipment designed, developed and built by Pullman-Standard to industries that previously have not supplied their own freight cars.





ENGINEERING AND CONSTRUCTION OPERATIONS Technological creativity, which solves problems and translates the theoretical into practical and commercially successful plant design, is the foundation of Pullman Incorporated's engineering and construction Divisions.

Managements today are competing for both new and established markets by providing better quality products, produced at lower costs through utilization of the most recent advances in process technology and large-scale production. To such managements in a wide variety of basic industries, the engineering and construction Divisions of Pullman Incorporated bring creative engineering and construction talent of the highest order; coupled with long experience on a worldwide basis.

The M. W. Kellogg Company Division From the time of its formation in 1901 through World War I, The M. W. Kellogg Company was engaged primarily in the fabrication of industrial piping and pressure vessels and in the design and construction of industrial chimneys.

Following the war, the acceptance of the automobile as a means of mass transportation increased the demand for gasoline. To meet this demand Kellogg collaborated in the development of revolutionary refining techniques which recovered a higher yield of gasoline from crude oil. This period marked the start of Kellogg's transition to a process development oriented organization which offered engineering and construction services for its processes on a worldwide basis.

Over the years the Company's achievements have included:

- The first refining unit incorporating several processes, which was the forerunner of today's modern refineries.
- The first fluid catalytic cracking unit, the development of which enabled Kellogg to engineer and construct more than half of the Free World's fluid cracking capacity.
- The design and construction during World War II of the Oak Ridge plant for separating Uranium 235, the basic fissionable material of today's nuclear industry.
- The engineering and construction of the world's largest cryogenic plant for the recovery of helium.
- Development of a process for the low-cost, large-scale production of ammonia; and construction of the first successful 1,000-ton-per-day production unit.

The M. W. Kellogg Company was acquired by Pullman Incorporated in 1944, at which time it was already regarded as one of the nation's foremost technological organizations.

Since then, this Division has continued to serve the petroleum industry by developing new refining processes and new techniques for the production of chemicals from hydrocarbons.

When the Marshall Plan for the industrial reconstruction of Western Europe was put into effect, Kellogg greatly expanded its international organization. It opened a large engineering office in London with sup-





porting procurement offices in other major cities of Europe. Through on-the-spot application of American technology to European plant design problems, Kellogg developed a technical position which has brought continuing assignments from leading British and European petroleum and chemical producers.

As a result of a planned and successful technical breakthrough to reduce the production cost of ammonia, the key element in nitrogen fertilizers, in recent years this Division has received numerous engineering and construction contracts for large-scale ammonia plants. The need for more and more food because of world population growth should assure continued demand for fertilizer plants, an area in which the Corporation through the Kellogg Division is strategically situated because of wide experience and recognition as a leader in the field.

The research and development skills of The M. W. Kellogg Company have also been brought to bear in the production of a variety of chemicals, including ethylene, propylene, cumene and others which form the basic raw materials for plastics, antifreeze, detergents and numerous copolymers. Of key importance is this Division's development of ethylene plants using liquid hydrocarbons for areas where natural gas is not available as a raw material.

Kellogg's technical proficiency has made it the leading producer of high pressure piping systems for conventional as well as nuclear electric generating plants. And working with the electric utilities and other industries in the building of modern plants, this Division has achieved a dominant position in the construction of "skyscraper" chimneys as much as 1,000 feet high.

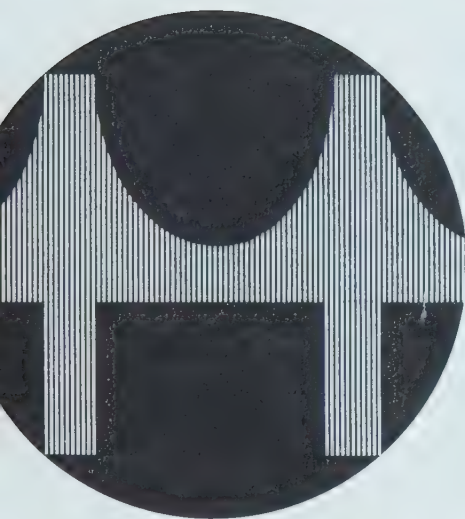
Sustained research and engineering development programs continue to broaden Kellogg's capabilities to design and build plants for the oil and chemical industries as well as other basic industries such as cement, pharmaceutical, paper and steel.

Swindell-Dressler Company Division Swindell-Dressler Corporation, established in 1850, was acquired in 1959 with the objective of accelerating Pullman Incorporated's market penetration in the engineering and construction of plants for the metal, mineral and ceramic industries. Subsequently, the iron and steel activities of The M. W. Kellogg Company were transferred to the Swindell-Dressler Company, including Kellogg's capabilities in the direct reduction of iron ore with the HyL process.

Long a leader in the engineering and construction of industrial furnaces and other heat-treating and melting facilities, early in World War II Swindell-Dressler broadened its service to include the engineering of complete metallurgical production facilities.

In recent years the steel industry, in its program to expand and modernize production, has made extensive use of the engineering services of Swindell-Dressler. As a result of the industry's drive to bring production facilities closer to the Midwest Market, this Division has received contracts to assist in the design and building of three of the major new steel mills that will supply the Chicago area. It is also playing an impor-





tant role in the expansion and modernization of existing steel plants through engineering and construction services and the design and erection of heat-treating and melting facilities.

In the overseas market, particularly in less industrialized areas where natural gas or other hydrocarbons are plentiful, the market coverage of the HyL direct reduction process for converting ore to iron is being extended. This iron can then be converted into steel with the use of Swindell-Dressler electric furnaces. Three plants designed and built have already demonstrated the commercial profitability of this process for the production demands of these economies.

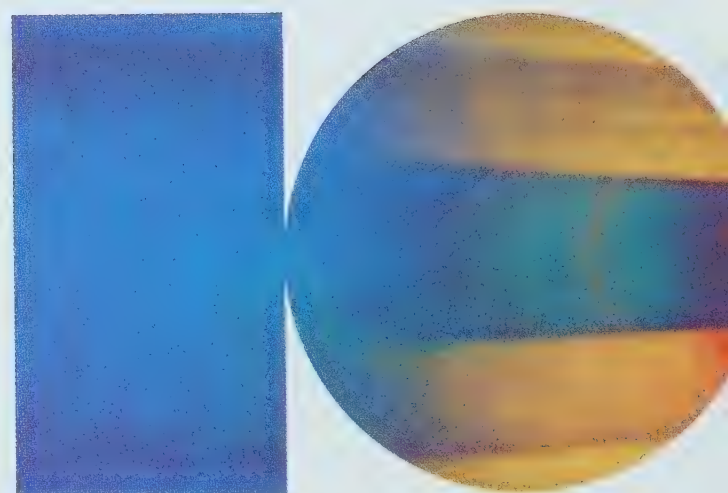
Recent major achievements of Swindell-Dressler research include a new rapid cooling annealing furnace for steel coils which cuts operation time in half, and a revolutionary new furnace in which coiled aluminum and other metal strip sheet is continuously annealed while riding on a cushion of air which protects the surface finish.

In addition to its work for the steel and non-ferrous metals industries, this Division of the Corporation has a long history of service to the ceramic industry, including the first Dressler Tunnel Kiln built in the United States in 1915. Since then, Swindell-Dressler has put together the world's largest design and construction organization specializing in ceramic plants.

It is the foremost builder of continuous tunnel kilns for the efficient production of all types of ceramics—building bricks, clay sewer pipe, tile, china, sanitary ware, carbon products, and electronic components—and serves the ceramic industry around the world in every phase of its activities, from investigation and testing of raw materials to design and erection of complete plants.

In the area of public works and civil engineering, Swindell-Dressler offers a complete range of consulting services including feasibility studies, project planning and detailed engineering. It is equipped to perform these services anywhere in the world for projects such as: highways, bridges, airport facilities, transportation facilities, water and waste treatment works, institutional buildings and installations to serve military and space programs.

Looking both to the immediate and long-term future, Pullman Incorporated has coordinated the Corporation's engineering and construction Divisions for maximum utilization of developmental experience, technical personnel and construction capabilities in providing a range of services that is difficult to duplicate and that cannot be surpassed.



The long-range outlook for Pullman Incorporated may be measured in part by the experience, skills and abilities that have been developed within its various Divisions and Subsidiaries over a long period of years. The history of Pullman Incorporated has been one of profitable growth both by acquisition and internal diversification, innovation, and expansion. The future should record a continuance of this success as we serve the many basic industries to whose advancement we are making substantial contributions on a worldwide basis.

Iron and steel. Non-ferrous metals. Cement. Petroleum. Chemicals. Ceramics. Fertilizers. Electric power. Transportation—by rail, truck, ship or plane.

These are among the basic industries we serve. In each case, the Pullman Incorporated Division or Subsidiary involved occupies a position of leadership based on reputation, long experience, technical skills and a record of innovation.

To the extent that the nations of the world succeed in meeting the economic challenges of the years ahead—challenges that must be met—so will Pullman Incorporated seize the opportunity to continue to grow in size and in service.



Pullman Incorporated
200 South Michigan Avenue
Chicago, Illinois 60604

Pullman Incorporated

Pullman Incorporated 1966 Annual Report

Pullman Incorporated

1966 Annual Report

HIGHLIGHTS OF THE YEAR

	1966	1965
Sales and other revenues	\$776,969,746	\$661,381,741
Income before taxes	48,270,888	38,120,605
Net income	26,109,888	20,571,605
Income taxes per share	4.85	3.84
Net income per share	5.72	4.51
Dividends per share	2.70	2.20
Working capital per share	29.55	32.12
Stockholder equity per share	45.58	42.57
Working capital	134,955,324	146,624,876
Depreciation	9,333,666	7,851,537
Capital expenditures—Additions before retirements	38,914,454	13,853,228
Research and development expenses	5,261,563	5,476,070

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Transportation Equipment Operations	12
Engineering and Construction Operations	16

STOCK TRANSFER AGENT: Morgan Guaranty Trust Company of New York, New York, N. Y. 10015

REGISTRAR OF STOCK: First National City Bank, New York, N. Y. 10015

ANNUAL MEETING: The annual meeting of the Corporation's stockholders is scheduled to be held at Wilmington, Delaware, on May 16, 1967. Formal notice of this meeting, together with proxy material, will be mailed to stockholders.

Stock listed on New York Stock Exchange.

BOARD OF DIRECTORS

William C. Bolenius
David R. Calhoun
Champ Carry
Samuel B. Casey, Jr.

Frank R. Denton
W. Irving Osborne, Jr.
John T. Pirie, Jr.
John W. Scallan

Frederick A. O. Schwarz
Murray Shields
Warren L. Smith
A. Thomas Taylor

GENERAL OFFICERS

W. Irving Osborne, Jr., *Chairman and President*
John W. Scallan, *Vice President*
Warren L. Smith, *Vice President*
Thomas A. Micali, *Vice President and General Counsel*
Wayne G. English, *Vice President, Finance*
Harris Shane, *Vice President, Industrial Relations, Transportation Equipment Divisions*
Frederick S. Armstrong, *Comptroller*
John F. Kelley, *Treasurer*
Lloyd R. Everhard, *Secretary*
George M. Elsey, *Assistant to the President*

DIVISIONS

Pullman-Standard
Trailmobile
Transport Leasing

The M. W. Kellogg Company
Swindell-Dressler Company

PRINCIPAL SUBSIDIARIES

The Canadian Kellogg Company, Limited
Kellogg International Corporation
Trailmobile Finance Company
Canadian Trailmobile Limited

Trailmobile de Mexico, S. A.
Standard Steel Works, Inc.
Unimation, Inc.



To Stockholders of Pullman Incorporated:

Operations of Pullman Incorporated during the year 1966 resulted in record achievements for the Corporation. It is particularly pleasing to make such a report at this time as February 22, 1967 marked the 100th anniversary of the founding of Pullman's Palace Car Company, the original predecessor company of the present Pullman Incorporated. During this long span of time, the Corporation's component organizations have shown the ability to adjust to and keep pace with a rapidly changing world and a growing economy. They have demonstrated the resourcefulness to innovate and shift from the outmoded products of one generation to the requirements of the next, each in turn requiring greater and more varied technological skills, coupled with business acumen and integrity. A more complete portrait of Pullman Incorporated as it is today is contained in the booklet accompanying this report.

Sales and other revenues for 1966 totaled \$776,969,746, the highest in history, representing an increase of 17% from those registered a year earlier. Net income for the year amounted to \$26,109,888, equivalent to \$5.72 per share of stock outstanding, an increase of 27% from the \$20,571,605 or \$4.51 per share earned in 1965. These records resulted from higher levels of operations in both the transportation equipment and engineering and construction phases of our activities which permitted a more effective use of the Divisions' resources. Elsewhere in this report the activities and accomplishments of the operating Divisions of the Corporation are dealt with in greater detail.

The century-old history of consecutive quarterly cash dividend payments to stockholders was maintained. In March 1966 a dividend of 60 cents per share was paid. This quarterly rate was increased to 70 cents per share with the June payment, and the higher rate has been continued since that time. Dividend payments in 1966 aggregated \$12,330,746, equivalent to \$2.70 per share compared to \$2.20 per share in 1965.

Capital expenditures in 1966 amounted to \$38,914,454 as compared to \$13,853,228 in 1965. This includes the amounts necessary to expand and improve manufacturing facilities as well as to finance an increase of 1,649 cars in our freight car leasing fleet.

After several years as a minority stockholder, the Corporation acquired during 1966 the outstanding majority interests in Canadian Trailmobile Limited and Trailmobile de Mexico, S.A. These companies are now being operated as wholly-owned subsidiaries of Pullman Incorporated under the direction of the Trailmobile Division. As a result, the manufacture and marketing of truck trailers by the Trailmobile Division now covers the entire North American continent.

The substantially greater amount of business undertaken during the year necessitated higher levels of receivables and inventories. During the year these requirements were financed largely with funds borrowed from banks and in the commercial paper market. As a result, such borrowings at December 31, 1966 amounted to \$112,920,000 as compared with

\$28,500,000 at the same date a year earlier.

The Corporation recently filed with the Securities and Exchange Commission a registration statement covering the public sale of \$60,000,000 of debentures. Funds derived from the sale of these securities will be used to reduce the amount of short term borrowings of the Corporation.

In 1967 we expect again to add substantially to our freight car leasing fleet and will continue to make expenditures for equipment of advanced design to further improve operating efficiency in our manufacturing plants and other facilities. It is likely that the amount of funds expended for all these purposes will approximate the 1966 levels.

The year 1966 produced further accomplishments by our research and development groups. Expenditures for these activities amounted to \$5,261,563 compared to \$5,476,070 in 1965. These consistent efforts over the years have enabled our operating Divisions to meet the technological demands of industry's drive to increase volume and reduce production and distribution costs.

The development and marketing of an industrial robot by our subsidiary, Unimation, Inc., continued with increasing promise for the future. Agreements were reached with the minority stockholder and its parent, Condec Corporation, to provide financing for the continuing manufacture and marketing of the Unimate. A plant at Danbury, Connecticut was purchased and leased to Unimation, Inc., and all of its operations were moved to this facility during the summer. With the commercial acceptance

of the Unimate substantially accomplished, the year 1967 holds promise of an increase in size and breadth of its market.

In midyear Champ Carry, who has so ably served Pullman Incorporated and its predecessor companies for 47 years, retired as Chairman of the Board of Directors. He was concurrently elected Honorary Chairman of the Board and will remain as a member of the Board of Directors where his advice and counsel will prove most valuable. W. Irving Osborne, Jr. was elected to fill the post of Chairman of the Board of Directors in addition to his position as President of the Corporation. Other changes in executive personnel were made during the year. Harry G. Fair, formerly a Vice President of Phillips Petroleum Co., joined our organization as Executive Vice President of the M. W. Kellogg Division. In the late summer Wayne G. English, formerly financial Vice President of Aeroquip Corporation, was elected to the re-established position of Vice President, Finance of Pullman Incorporated. We welcome these additions to our staff and the contributions they will make to our future performance.

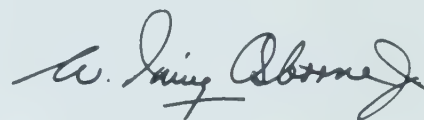
To provide improved coordination among the Divisions and to maintain consistent corporate policies, an Operating Policy Committee was established during the year. This Committee, consisting of the principal executives of the Divisions and the Corporation, meets on a regular basis.

The year 1966 established still another record for Pullman Incorporated in orders and contracts received from our customers for both transportation

equipment and engineering and construction services. As a result, although sales and revenues billed during the year were historically high, backlog of business on hand as of December 31, 1966 was approximately 20% over that existing a year earlier. Consequently, we enter the year 1967 with sufficient business on hand to carry our operations into the third quarter. Presently the suspension of the 7% investment tax credit and the other uncertainties in today's business world appear to be having the effect of slowing up the placement of new business. We, therefore, anticipate that our backlog may show a decrease as the year progresses. If the above-mentioned conditions continue to affect business generally and the present provisions covering the suspension of the 7% investment tax credit are not modified, we may experience some reduction in operating levels during the latter part of the current year

and possibly in the first quarter of 1968. While in 1967 it may prove difficult to set new records for consolidated results after having done so in 1965 and 1966, we believe the year will prove to be one of significant success.

On behalf of the Board of Directors and stockholders it is a privilege and pleasure to express sincere appreciation for the effectiveness and loyalty of our employees, customers and suppliers that made the accomplishments of the past year possible.



CHAIRMAN and PRESIDENT

March 1, 1967

Operating Policy Committee. *Left to right:* Donald Morfee, Wayne G. English, Thomas A. Micali, Harry G. Fair, Warren L. Smith, W. Irving Osborne, Jr., John W. Scallan, George L. Green, Arthur L. Berry, Julian M. Gilroy.



PULLMAN INCORPORATED AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS Years ended December 31, 1966 and 1965

	1966	1965
REVENUES		
Sales of products and services, and royalties	\$768,190,459	654,369,964
Profit on sales of property, plant and equipment	577,292	392,734
Interest and finance charges earned	6,826,359	5,769,803
Miscellaneous—net	<u>1,375,636</u>	<u>849,240</u>
	776,969,746	661,381,741
EXPENSES		
Cost of sales and other charges, excluding items shown below	678,042,479	578,969,886
Provision for depreciation	9,333,666	7,851,537
General, administrative and selling expenses	37,466,605	34,762,442
Interest expense	<u>3,856,108</u>	<u>1,677,271</u>
	728,698,858	623,261,136
INCOME before provision for income taxes	48,270,888	38,120,605
Provision for federal and foreign income taxes (Note 2):		
Current	20,937,000	16,223,000
Deferred	<u>1,224,000</u>	<u>1,326,000</u>
	22,161,000	17,549,000
NET INCOME (per share: 1966—\$5.72; 1965—\$4.51)	26,109,888	20,571,605
Retained earnings at beginning of year	<u>71,139,435</u>	<u>60,580,473</u>
	97,249,323	81,152,078
Less dividends declared and paid (per share: 1966—\$2.70; 1965—\$2.20)	<u>12,330,746</u>	<u>10,012,643</u>
RETAINED EARNINGS at end of year	<u>\$ 84,918,577</u>	<u>71,139,435</u>

See accompanying notes.

PULLMAN INCORPORATED AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEET**December 31, 1966 and 1965**

ASSETS

	1966	1965
CURRENT ASSETS		
Cash	\$ 29,916,807	20,971,809
Marketable securities, at cost which approximates market value . . .	482,984	2,631,516
Accounts and notes receivable (including for 1966, instalments of \$66,159,742 due after one year), less allowance for doubtful items (1966—\$2,844,318; 1965—\$2,547,250) and unearned finance charges	186,299,537	142,262,409
Inventories, at lower of cost or market (including \$7,177,768 for 1966 on a last-in, first-out basis) —		
Finished goods	8,033,567	7,667,305
Costs accumulated on uncompleted contracts and work in process . .	71,762,537	48,839,840
Raw materials, service parts and operating supplies	26,904,760	25,103,664
Total inventories	106,700,864	81,610,809
Total current assets	323,400,192	247,476,543
 OTHER INVESTMENTS AND LONG-TERM RECEIVABLES . . .	 3,125,449	 5,097,484
 PROPERTY, PLANT AND EQUIPMENT, AT COST		
Land	4,433,693	4,011,873
Buildings, machinery and equipment	112,105,919	95,228,860
Transportation equipment for lease to others	57,197,529	36,521,411
	173,737,141	135,762,144
Less accumulated depreciation	71,676,340	62,656,506
Net property, plant and equipment	102,060,801	73,105,638
 PREPAID EXPENSES AND DEFERRED CHARGES	 1,606,439	 1,551,843
	<u>\$430,192,881</u>	<u>327,231,508</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Notes payable—

Banks—domestic	\$ 66,420,000	2,000,000
Bearer commercial paper	20,000,000	—
Other	7,628,679	—
Accounts payable and accrued liabilities	74,616,717	78,895,978
Federal and foreign income taxes (Note 2)	10,603,938	12,188,362
Other taxes	9,175,534	7,767,327
Total current liabilities	188,444,868	100,851,667

NOTES PAYABLE TO BANKS, 4½%, DUE MAY 1968 26,500,000 26,500,000

DEFERRED FEDERAL INCOME TAXES (Note 2) 7,077,000 5,578,000

STOCKHOLDERS' EQUITY

Capital stock, no par value (stated value \$20 per share) (Note 3)—

	1966	1965
Shares authorized	7,750,000	7,750,000
Shares issued	4,692,258	4,689,108
Shares held in treasury	124,700	124,700
Shares outstanding	4,567,558	4,564,408
	91,351,160	91,288,160
Capital surplus (Note 3)	31,901,276	31,874,246
Retained earnings	84,918,577	71,139,435
Total stockholders' equity	208,171,013	194,301,841
	\$430,192,881	327,231,508

See accompanying notes.

PULLMAN INCORPORATED AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED SOURCE AND DISPOSITION OF WORKING CAPITAL
Years ended December 31, 1966 and 1965

	1966	1965
Working capital was provided by:		
Operations—		
Net income	\$ 26,109,888	20,571,605
Charges against income not affecting working capital:		
Depreciation	9,333,666	7,851,537
Deferred federal income taxes	1,224,000	1,326,000
	<u>36,667,554</u>	<u>29,749,142</u>
Borrowings under notes payable to banks, 4½%, due 1968	—	26,500,000
Proceeds from sales of property, less profit included in income	625,625	826,155
Sales of capital stock on exercise of stock options	90,030	1,081,751
Net decrease in other investments and long-term receivables	1,972,035	560,858
Miscellaneous—net	220,404	241,288
	<u>39,575,648</u>	<u>58,959,194</u>
Working capital was used for:		
Cash dividends paid to stockholders	12,330,746	10,012,643
Additions to property, plant and equipment	38,914,454	13,853,228
	<u>51,245,200</u>	<u>23,865,871</u>
Increase (decrease) in working capital	<u><u>\$(11,669,552)</u></u>	<u><u>35,093,323</u></u>

See accompanying notes.

PULLMAN INCORPORATED AND CONSOLIDATED SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Principles of consolidation and investment in subsidiary

The consolidated financial statements include the accounts of all wholly-owned subsidiaries. As of January 1, 1966, the Corporation purchased the capital stock of Standard Steel Works, Inc. and during 1966 acquired the remaining equity interests in two trailer companies located in Canada and Mexico, previously 25% owned by the Corporation. The results of operations of the purchased businesses are included in the accompanying consolidated statement of income from their respective dates of acquisition.

At December 31, 1966, the Corporation held approximately 98% of the common stock of Unimation, Inc., whose accounts are not consolidated. Under a financing agreement completed in 1966, additional investments will be made by Unimation's stockholders, including investment by the minority stockholder in Unimation's authorized preferred stock, which may be converted into common stock during the period January 1, 1970 through June 30, 1971. If the conversion privilege is exercised, the Corporation's equity in Unimation's common stock will be reduced to 55.5%.

The investment in Unimation at December 31, 1966 is being carried at \$472,000, which is the estimated equity of the Corporation in Unimation's net assets (exclusive of patents and deferred development costs and expenses, which are capitalized in Unimation's accounts). Charges to consolidated income for write down of the investment amounted to \$945,000 in 1966 and \$650,000 in 1965.

2. Income taxes

The provision for federal income taxes is shown after reduction for investment tax credits of \$928,000 in 1966 and \$472,000 in 1965.

Deferred federal income taxes have been provided in recognition of differences

in reporting certain items of income and expense (principally depreciation) in the tax returns from the amounts recorded in the books. The provisions pertaining to differences in reporting income from installment sales, however, are treated as current tax liabilities, since the related installment receivables are classified as current assets.

3. Stock options

Under the Stock Option Incentive Plan, certain officers and key employees have been granted options to purchase shares of the Corporation's capital stock at prices which were 95% or more of the market value of the stock on the dates the options were granted.

Options were outstanding at December 31, 1966 for 7,500 shares (10,650 shares at December 31, 1965). Options for 3,150 shares were exercised during the year. Option prices range from \$25.18 to \$33.14 per share. All outstanding options are currently exercisable. No further options may be granted under the Plan.

An officer of the Corporation has been granted an option (not under the Plan) to purchase 12,000 shares of capital stock at a price of \$38.72 per share, exercisable one-fifth each year from January 1963 to January 1967 and expiring in July 1971. At December 31, 1966, options were outstanding for 8,000 shares, of which options for 5,600 shares were exercisable.

The increase of \$27,030 in consolidated capital surplus during 1966 represents the excess of sales price over stated value (\$20 per share) for the 3,150 shares of capital stock sold on exercise of stock options.

4. Funded pension plans

Costs of funded pension plans for 1966 and 1965 include provisions for contributions to pension trusts for current service costs and for interest on unfunded past service costs, plus \$500,000 each year toward funding past service costs (estimated by the actuary to be \$17,300,000 at December 31, 1966).

5. Contingent liabilities

The Corporation and its subsidiaries are contingently liable in the amount of

\$3,355,000 for notes discounted with banks and other financing institutions, but have insurance or indemnification with respect to \$2,663,000 of the total.

The Corporation is involved in litigation arising from its participation in the design and construction of a chemical processing plant. Based on an appraisal of the issues and an opinion of legal counsel, Management believes that the ultimate resolution of this litigation will not have a material adverse effect on the consolidated financial position of the Corporation or on its consolidated results of operations.

ARTHUR YOUNG & COMPANY CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors and Stockholders
Pullman Incorporated

We have examined the accompanying consolidated balance sheet of Pullman Incorporated and consolidated subsidiaries at December 31, 1966 and the related consolidated statements of income and retained earnings and of source and disposition of working capital for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the financial position of Pullman Incorporated and consolidated subsidiaries at December 31, 1966 and the results of their operations and the source and disposition of their working capital for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Arthur Young & Company

Chicago, Illinois
February 15, 1967

PULLMAN INCORPORATED AND CONSOLIDATED SUBSIDIARIES

SUMMARY OF RESULTS YEARS 1957 THROUGH 1966

	1966	1965	1964	1963
Sales and Other Revenues	\$776,969,746	661,381,741	505,225,593	443,379,564
Income Before Taxes on Income . .	\$48,270,888	38,120,605	24,604,743	13,916,728
Net Income	\$26,109,888	20,571,605	14,569,743	6,961,728
Per Share	\$5.72	4.51	3.22	1.55
Dividends Paid Per Share	\$2.70	2.20	1.90	1.40
Stockholders' Equity at December 31	\$208,171,013	194,301,841	182,661,128	175,888,912
Per Share	\$45.58	42.57	40.32	39.06
Working Capital at December 31 . .	\$134,955,324	146,624,876	96,715,807	111,944,405
Per Share	\$29.55	32.12	21.35	24.86
Shares Outstanding at December 31	4,567,558	4,564,408	4,530,158	4,503,308

1962	1961	1960	1959	1958	1957
403,174,222	346,719,307	425,167,735	406,870,010	357,236,108	426,382,586
10,837,726	10,958,865	23,848,501	23,425,752	12,634,882	30,455,657
5,561,726	6,091,865	12,065,501	13,542,752	7,806,882	14,801,657
1.23	1.33	2.63	2.93	1.76	3.34
1.70	2.00	2.00	2.00	2.00	2.00
175,903,333	179,725,220	182,356,480	180,762,400	174,389,840	173,216,195
38.87	39.09	39.82	39.16	39.29	39.04
112,860,966	115,086,702	111,190,681	122,560,306	122,919,326	123,523,624
24.94	25.03	24.28	26.55	27.70	27.84
4,525,908	4,597,408	4,579,808	4,615,758	4,438,200	4,437,100

NOTE: Outstanding shares and all per share amounts have been adjusted to reflect the two-for-one stock split effective June 1, 1960. The data for years prior to 1959 have not been restated to include the accounts of Swindell-Dressler Corporation, although this acquisition in 1959 was treated for accounting purposes as a pooling of interests. The data for years prior to 1965 have not been restated to reflect the consolidation of Trailmobile Finance Company.

T

ransportation Equipment Operations

The demand for products and services of Pullman Incorporated's transportation equipment Divisions continued at high levels during 1966. As a result, Pullman-Standard, Trailmobile, and Transport Leasing recorded the most productive year in their histories.

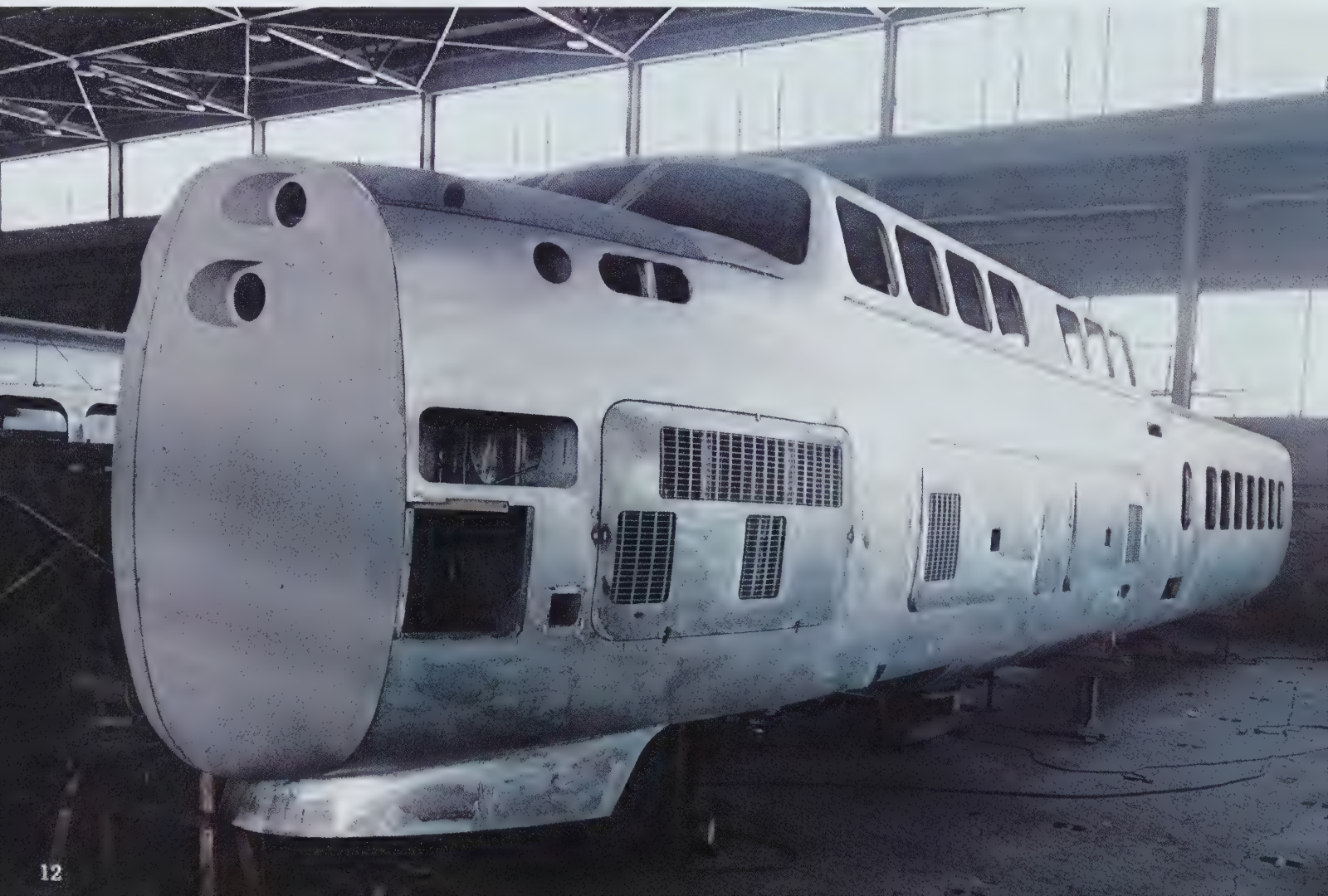
Pullman-Standard maintained its position as the world's largest builder of rail cars by manufacturing and delivering 21,646 freight cars during 1966. This number of unit deliveries was made possible by an increased market for this Division's freight car products and a capital improvement program undertaken in recent years to meet this anticipated demand.

As an example, expansion of manufacturing facilities at Butler, Pennsylvania, enabled this plant to produce, during the second half of the year, covered hopper cars at a daily rate approximately 50 per cent greater than that recorded in the first six months. Also, the Hammond,

Indiana, plant was reactivated as a freight carbuilding facility. This freight carbuilding activity is in addition to this plant's continuing role as a major supplier of miscellaneous freight car parts, heavy repairs to piggyback flat cars, and the sole producer of Hydroframe® cushion units.

Pullman-Standard further strengthened its position of leadership in research and development and freight car engineering which was highlighted by the completion of the new Champ Carry Technical Center at Hammond, Indiana. From the technical skills of talented engineers, assisted by modern research, engineering and test equipment available at the new Center, significant contributions were made to the railroad industry. Among these was the introduction, in late 1966, of an all-new 100-ton side-gate discharge hopper car and automatic unloading system particularly adaptable to unit-train coal service.

Because of its advanced design which represents a



unique approach to a total systems distribution concept, a 100-car train of these new hopper cars will be capable of automatically unloading 10,000 tons of coal in less than 15 minutes. A prototype of this car is being manufactured for the Louisville & Nashville Railroad and is scheduled for delivery and in-service testing during the second quarter of 1967.

With piggyback operations on the nation's railroads setting further records in 1966, Pullman-Standard designed, engineered, and constructed a versatile all-purpose flat car for the Trailer Train Company, which maintains the country's largest fleet of piggyback flat cars. This flat car is able to transport either truck trailers or containers, as well as other types of lading, and its anticipated acceptance should add substantially to this Division's car-building activities in the years to come.

Deliveries of public transportation equipment by

the nation's three principal passenger carbuilding companies continued to decline in 1966. As a result, Pullman Car Works plant delivered only 12 new and rebuilt passenger cars during the year. Pullman-Standard, however, was selected to build two three-car trains for United Aircraft Corporation capable of speeds up to 160 miles per hour. These trains are to begin operations between Boston and New York City in 1967 as part of the Northeast Corridor high-speed ground transportation project under contract to the U.S. Department of Commerce.

In addition, Pullman-Standard was awarded a contract to build 20 rapid transit cars for the Cleveland Transit Authority. These cars represent the first of this type to be constructed of stainless steel by this Division, and will be utilized in the nation's first exclusive operation of transit cars from a downtown terminal to a municipal airport. Also received during the latter part of the year was an order for 16 double-deck commuter cars for the Chicago & North Western Railway which will be delivered in 1967.

Pullman-Standard's passenger carbuilding plant in Chicago, which has a capacity to manufacture up to 500 cars a year, is being maintained in anticipation of the resurgence of this type business, as indicated by the numerous optimistic reports and forecasts being made by the Federal Government and many metropolitan transit authorities. The status of this plant is continually being evaluated in relation to developments which will affect demands for its products.

Broad industry acceptance of Trailmobile's improved and expanded line of quality products, including a substantial growth in the sale of tank trailers and containers, pushed the unit production and dollar sales volume of this Division to record highs in 1966.

The addition of five new models of tank trailers to Trailmobile's product line during the year made a significant contribution to this Division's increased share of this



(Left) United Aircraft Corporation trains for high-speed service between Boston and New York City are nearing completion at Pullman-Standard's Chicago, Illinois, plant.

(Right) With trough hatches open, Transport Leasing Division covered hopper cars are ready to move under the grain elevator spout for fast loading.

market. Contributing to this greater market penetration was the acquisition at the end of 1965 of Standard Steel Works, Inc., located in North Kansas City, Missouri.

The accelerated growth of Trailmobile's container sales is evidenced by the record backlog for this type of equipment at year's end. Although the majority of units produced in 1966 were for maritime service, a major new market potential for the future occurred when this Division successfully demonstrated the use of its product in the first movement of containers involving truck, rail, and air transportation. This demonstration was accomplished in cooperation with Lockheed-Georgia Company, a Division of Lockheed Aircraft Corporation.

To meet the challenges of an ever-changing market and to further augment its truck trailer and parts sales, Trailmobile continued its aggressive program of increasing its nation-wide network of branches and dealerships. A new branch facility was built at Kansas City, Missouri, and another, to be opened in 1967, was started in Cleveland, Ohio, bringing to 40 the number of branches strategically located throughout the United States. Trailmobile also added 21 dealers during the year, increasing this organization to 62 representatives.

Plant capacity and production efficiency continued to expand and improve throughout this Division's manufacturing facilities during the year. Through the purchase and installation of additional machinery early in the year at the West Point, Pennsylvania, plant, increased productivity was obtained above that provided for at the time of its design.

The Corporation became the sole stockholder of Canadian Trailmobile Limited and Trailmobile de Mexico, S.A., thereby establishing under full Trailmobile direction manufacturing facilities and marketing activities for all of North America. Furthermore, this Division, in the international markets, established a licensee in Italy on a basis similar to such agreements already in existence in England, France, Spain, Japan, Australia, Argentina, and Sweden.

Operations of the Transport Leasing Division in 1966 were expanded by the addition of 1,649 cars to its fleet, representing an increase of 86 per cent in the number of cars owned and leased. The majority of these cars were large covered hopper cars which were leased to grain firms and farm cooperative associations, and to chemical companies.

Further diversification of the TLDX fleet was accomplished in 1966 by the purchase of 483 insulated box cars from Dairy Shippers Despatch Company and the leasing of these cars for service in the brewing industry.

During the year, a new type of long term "back-to-back" lease was initiated by Transport Leasing with two firms, shipping different bulk products, to alternately use the same cars for six months each year in their respective peak shipping seasons.

At the close of 1966, approximately 3,600 cars were in service and lease contracts were in hand for a substantial number of new cars to be added to the fleet in 1967.

Growth of the freight car leasing business of Transport Leasing is geared to the development of specialized types of equipment by Pullman-Standard to meet the needs of various industries for more efficient handling and distribution of their products. To this end, these Divisions of the Corporation are engaged in cooperative studies and test programs with shippers which hold great promise of further opportunities for car leasing.

(Top) Demonstration of the first intermodal transfer of cargo involving truck, rail, and air transportation was accomplished with Trailmobile-built containers.

(Bottom left) Pullman-Standard Division's capital improvement program for 1966 included the construction of a new shipping track building at Bessemer, Alabama, which adjoins a new shotblast and painting facility.

(Bottom right) Workmen install recessed plywood lining in a Trailmobile interior post dry freight van.



E

ngineering and Construction Operations

The high level of 1966 capital expenditures for new industrial plants produced a record volume of revenues and sales for the engineering and construction Divisions of Pullman Incorporated. At the close of the year, The M. W. Kellogg Company and the Swindell-Dressler Company had a record backlog in the petroleum, chemical, fertilizer, steel, mining, ceramic, aluminum, cement and electric power industries, and through orderly expansion established the capacity to provide for further business growth in 1967.

In addition to the basic business of engineering and constructing plants, both The M. W. Kellogg Company and the Swindell-Dressler Company expanded their capabilities in overall planning, project management and financing advisory services to clients undertaking the design and construction of very large capital projects. In this area, Kellogg undertook a management contract to assist in the initial planning of the Chemplex plant at Clinton, Iowa, a joint project of Skelly Oil Company and American Can Company that will produce plastics from natural gas. Additionally, Chemplex selected this Division, after competitive bidding, to engineer and construct units of this project with a total value approximating \$50 million, including a large olefin production facility. Later, this same Division began work assisting Allied Chemical and Iranian National Petrochemical Company in managing and planning the design and construction of their joint venture, Shahpur Chemical Ltd. in Iran, a fertilizer and chemical project to cost well over \$100 million. In addition to management fees, this project will provide addi-

This 44,500 barrel per day solvent de-asphalting unit built by Kellogg to its process design will enable the Richmond refinery of the Standard Oil Company of California to produce more gasoline from each barrel of crude oil.

tional revenues through contracts for engineering and construction services. In 1966, Swindell-Dressler started a management-planning assignment for the construction of a complete steel mill outside Mexico City. Through this Division's efforts, European financing for steel-producing equipment was obtained for the client.

A significant development in the Far East was completion of an arrangement in Japan to sell process engineering designs and to have the detailed engineering performed by a Japanese firm. The potential of this marketing development was demonstrated by the sale of process designs for an ammonia and methanol plant, and it is expected that further penetration of the area will result from proposals which combine M. W. Kellogg process engineering, Japanese detailed engineering, and financing of process equipment exported from Japan.

The constant growth and modernization of the major petroleum companies continued to provide important markets for Kellogg's services. The completion of the Amoco Australian Pty., Ltd. refinery early in 1966 was followed by the award of a \$45 million contract to expand and modernize the American Oil Company Texas City refinery. In Europe, B. P. Benzin, the German subsidiary of British Petroleum, increased an existing contract for their Bavarian refinery by approximately \$40 million.

Kellogg continued to strengthen its leadership in designing petrochemical plants. One evidence of this was the completion in England of an ethylene facility, the largest in production there, which will be the first to be completely computer controlled. Also, the successful start-up and sustained operation of the Coastal Chemical Corporation 1,000 ton-per-day single-train ammonia plant in Mississippi, which is the nation's first such operation, established commercially and technically the Kellogg process



design for large-scale ammonia production using natural gas feed-stock. The first of three approximately 1,000 ton-per-day ammonia plants using liquid hydrocarbon feed was put into initial operation in England for Imperial Chemical Industries. This ammonia plant design, a joint engineering effort of the client and Kellogg, is expected to have continuing future demand in areas where natural gas is unavailable.

The power piping and chimney business of Kellogg prospered in 1966 with the continuing expansion of the power industry, and ended the year with record backlogs for power piping fabrication and chimney construction. Major contracts were received for the supply of fabricated pipe for plants under construction by other companies in Puerto Rico, Spain, Iran, and in several different geographic regions of the United States. At the Niagara Mohawk Nuclear Power Plant under construction at Oswego, New York, this Division continues to demonstrate its leadership in the fabrication and erection of nuclear piping systems. The drive to reduce air pollution concentrations near power plants has led to the construction of skyscraper-high chimneys. Kellogg has achieved competitive leadership in this field because of an exclusive method of continuous concrete pouring with a self-lifting form.

Swindell-Dressler's position as one of the nation's leading engineering firms serving the metal industry was firmly re-emphasized in 1966 by receipt of engineering contracts from Inland Steel Company, Great Lakes Steel Division of the National Steel Corporation, Jones & Laughlin Steel Corporation, Kennecott Copper Corporation, and Wheeling Steel Corporation. The important awards of 1966 to our Public Works Group were a port development project in Algeria and the design of two new railway spur lines for affiliates of the Pennsylvania Railroad. Swindell-

Dressler continued to expand its business capacity by significantly increasing its staff and its productivity through the development of improved engineering methods, the application of sophisticated computer techniques, and critical path scheduling.

Furnace sales rose 50 per cent as a result of the metal industry's modernization and expansion. A battery of coil annealing furnaces for United States Steel Corporation ranked high on the list. In addition to a contract for a walking beam furnace worth more than \$1 million, this Division booked sales for various sizes of electric arc melting furnaces featuring proprietary innovations. Aggressively developing new markets for more efficient applications of furnace equipment, this Division put into operation a new specialty furnace for finishing railroad axles and entered into another contract for one to harden railroad wheels. In addition, both the aluminum industry's continuing demands for ingot heaters, and the iron industry's demand for malleable iron furnaces were met.

Swindell-Dressler's leadership in the ceramic industry was uniquely portrayed with a recent order for kilns from The Champion Spark Plug Company for whom Swindell-Dressler has been supplying kilns for the past fifty years. A larger kiln market is developing as a result of the trend of leading manufacturers in the electronic and automotive industries to undertake their own production of ceramic components. These must be fired

(Bottom left) In addition to this Hojalata y Lamina, S.A. direct reduction sponge iron plant in Monterrey, Mexico, there are two more in Mexico either in production or under construction.

(Bottom right) The development model of the Magic Carpet® Furnace in the Swindell-Dressler Development Center near Pittsburgh provides an improved means of annealing aluminum strip sheets and assures a superior surface.



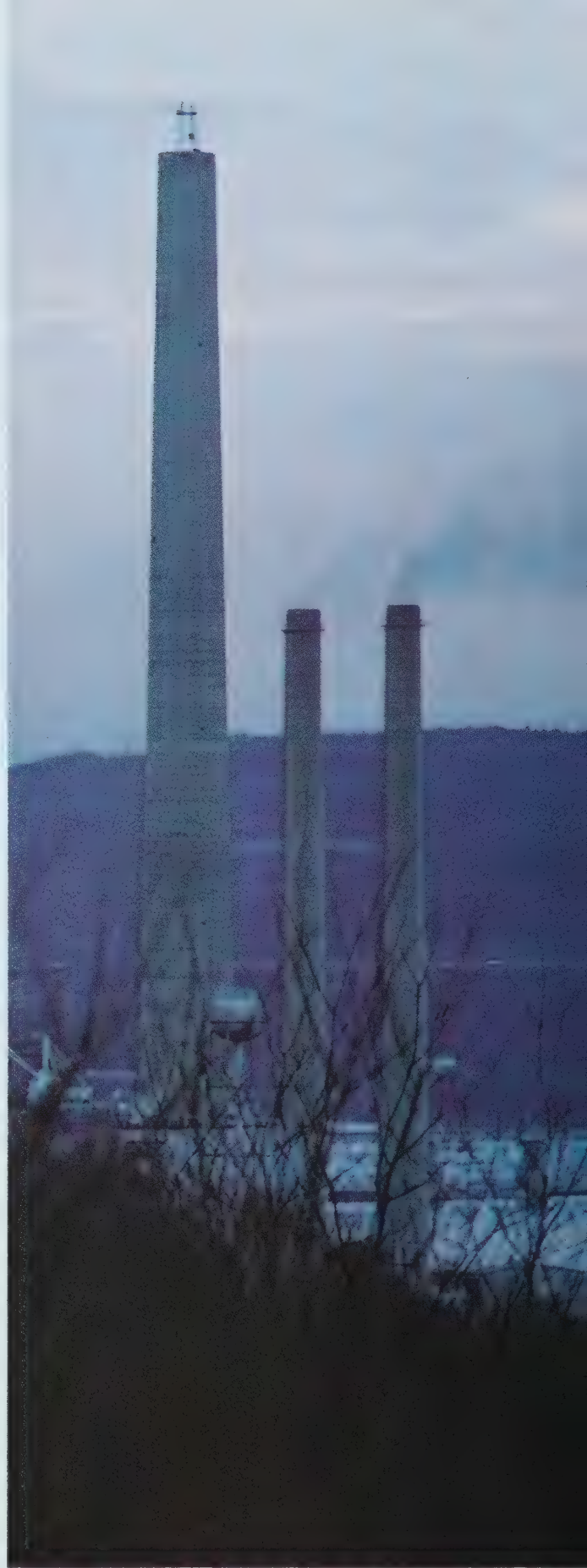
in kilns that provide exacting temperature controls such as can be achieved in the Swindell-Dressler Roll-a-flow® kiln. The adoption of the basic oxygen furnace and continuous casting by steel producers has created additional business for Swindell-Dressler in the refractory industry. For the building industry, Swindell-Dressler is constructing the nation's largest brick plant incorporating the most advanced automation designs.

During 1966, the Kellogg research and engineering development programs were productive and promising for the future. Patents were issued on an electrochemical process for the production of propylene oxide, and a leading German chemical firm has selected this process for a new semi-commercial plant. Kellogg's process for the production of chlorine from surplus hydrochloric acid has been chosen for a demonstration plant now under construction by a leading U. S. chemical concern. A major U. S. oil company has entered into an agreement with this Division for the commercialization of a process to produce isopropyl alcohol based upon our research laboratory results. Kellogg's research efforts in the gasification of coal, supported by contracts from industry and government, have continued. Two processes have been developed for the production of synthesis gas which can be converted to sulfur-free pipeline gas. This research work could be an important contribution to the future utilization of the nation's coal resources.

At the Swindell-Dressler Development Center improvements were made on the Magic Carpet®, a furnace for annealing coiled aluminum sheet. Additional improvements were developed for the rapid-heating aluminum ingot furnace. The new Swindell-Dressler Roll-a-flow® tunnel kiln which substitutes ceramic rollers for the kiln car was improved and successfully commercialized. Extensive laboratory evaluation tests were carried out as part of feasibility studies for projects in the international markets utilizing the HyL process for direct reduction of iron ore.

(Right) A new 850 foot chimney, designed by Kellogg and built in 35 days using a new slipform technique, identifies the Ohio Edison Company's Sammis Power Plant in Stratton, Ohio.

(Opposite page) The 1,000 ton-per-day ammonia plant built by M. W. Kellogg for Coastal Chemical Corporation is the first of its kind in the world.





Pullman Incorporated

200 South Michigan Avenue, Chicago, Illinois 60604

PULLMAN-STANDARD DIVISION

200 South Michigan Avenue, Chicago, Illinois 60604

John W. Scallan, *President*
George L. Green, *Vice President and General Manager*
John W. Bergen, *Vice President, Marketing*
Elwyn T. Ahnquist, *Vice President,
Field Sales and Administration*
Thomas H. Callahan, *Vice President, Sales*
John W. Miller, *Vice President, Sales*
Robert E. Schooley, *Vice President, Sales*

Emmett D. Quan, *Vice President, Manufacturing*
Norman E. Bateson, *Vice President, Research and
Engineering*
M. R. Bock, *Vice President, Purchasing*
E. Preston Calvert, *Vice President, Public Relations*
Franklin L. Mettler, *Comptroller*
John F. Kelley, *Treasurer*

TRAILMOBILE DIVISION

200 South Michigan Avenue, Chicago, Illinois 60604

John W. Scallan, *President*
Julian M. Gilroy, *Vice President and General Manager*
Robert W. McDowell, *Vice President, Marketing*
Robert F. Bogan, *Vice President, Operations*
Ernest R. Reichmann, *Vice President, Manufacturing*

John F. Rozner, *Vice President, Industrial Relations*
Richard H. Heberling, *Vice President and
Adm. Asst. to Vice Pres. and General Manager*
John F. Schwartz, *Vice President, Finance*
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